

# Overview

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## Fiscal Year 2016 City Manager Recommended Operating Budget

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*City Council Work Session*

*March 24, 2015*

# Forming the FY 2016 Operating Budget

## *Impacts: Revenue and Expenses*

- **Major Revenue Impacts**

- INCREASE in Real Estate Assessments for the first time in 6 years
- Steady signs of economic recovery in local revenues
- No new taxes, no changes in tax rates

# Forming the FY 2016 Operating Budget

## *Impacts: Revenue and Expenses*

- **Major Expense Considerations**
  - Increased Pension and Healthcare costs
  - Salary adjustments and employee training/development
  - Increased funding for Schools
  - Maintenance of programs and services
  - Recognizing other debt and infrastructure obligations
  - Investments in support of our Strategic Priorities

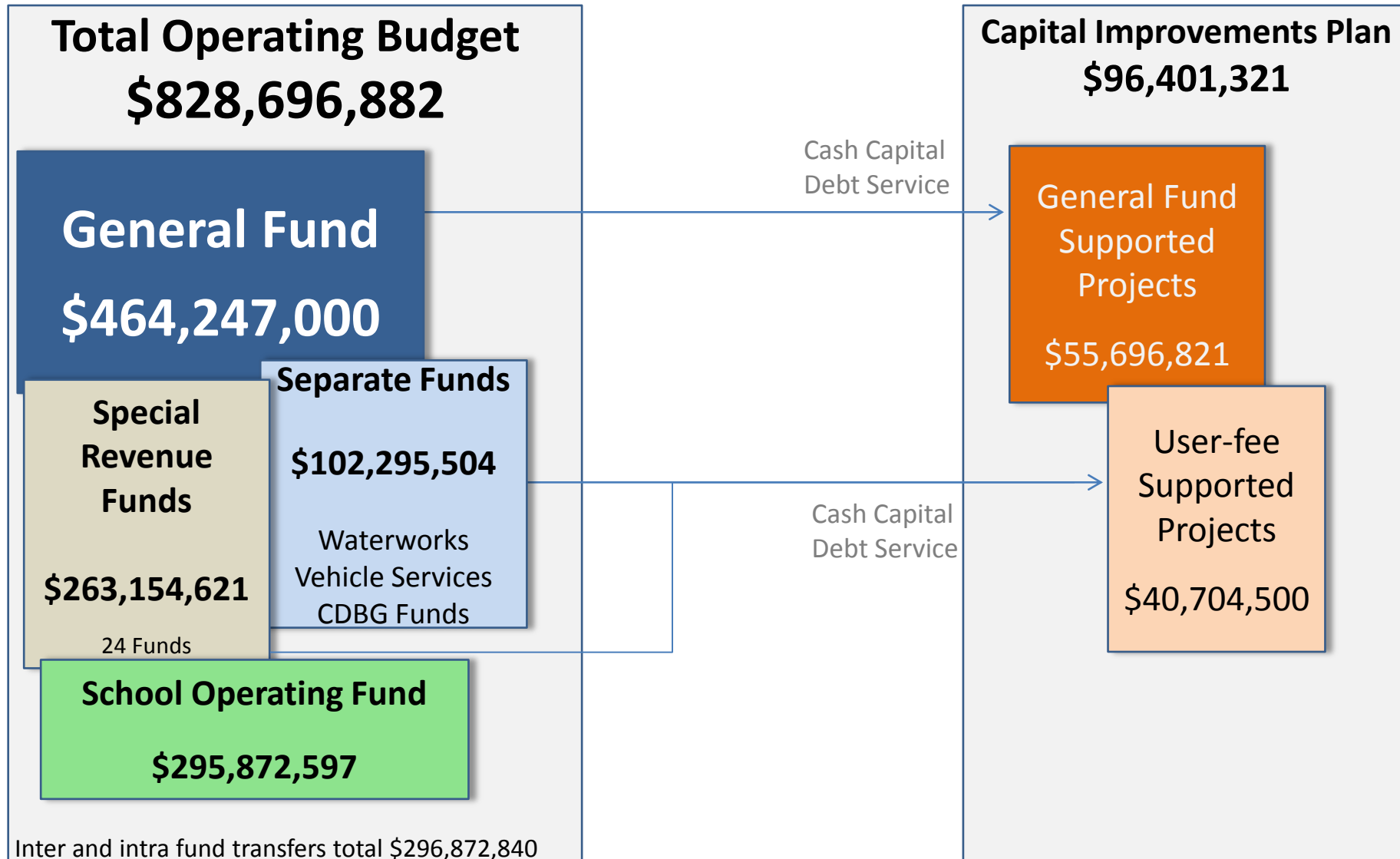
# Outcome Measures and the Budget

***Outcome Measures*** focus on the desired result of a particular service at a population level.

- Helps us to manage/execute City activities for improvement
- Helps us to have an objective decision making means
- Help us with a progress indicator(s)

# City of Newport News FY 2016 Financial Plan

## \$925 million

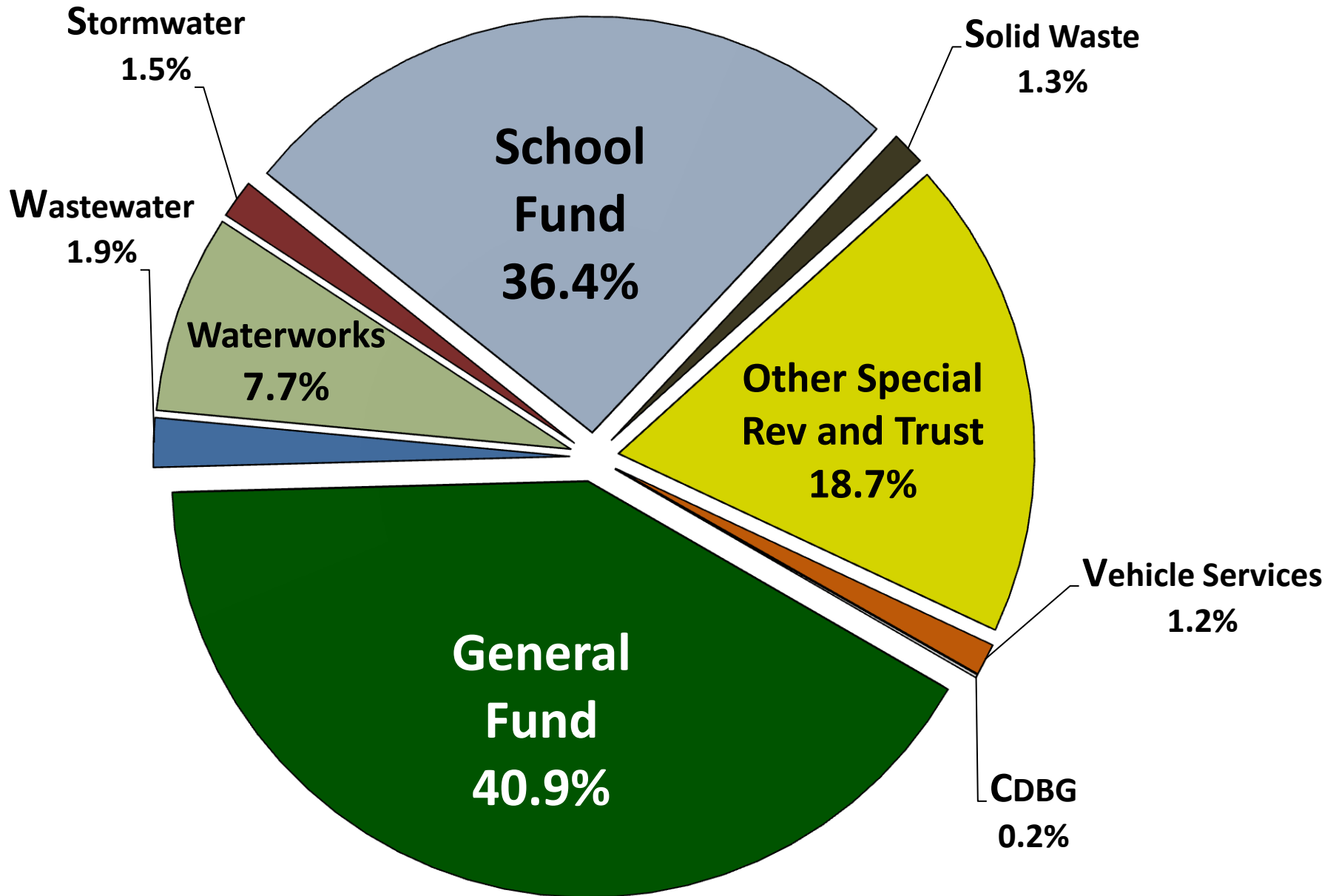


# Total Operating Budget

## OVERVIEW

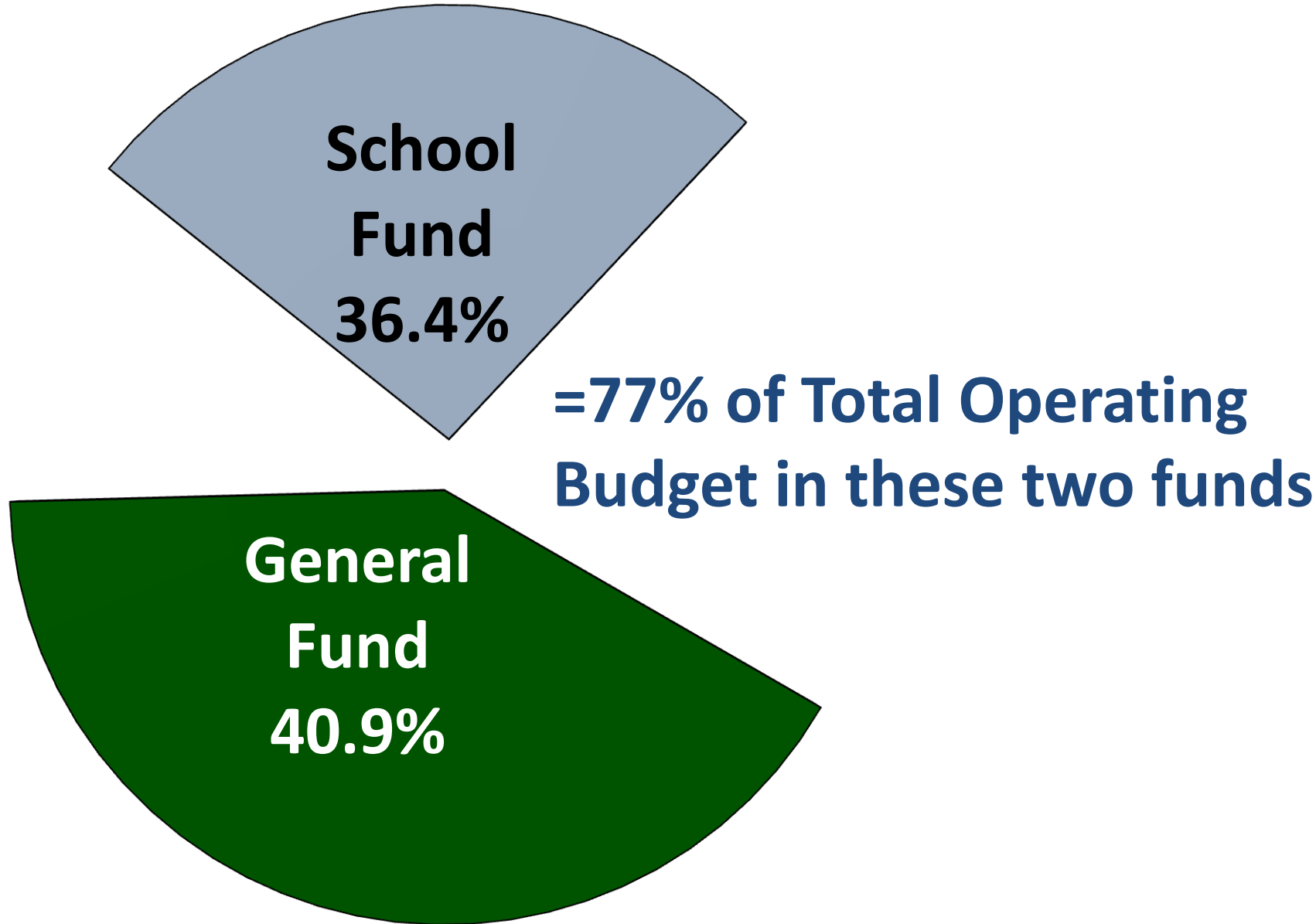
	FY 2015	FY 2016	\$	%
\$ figures in millions	Adopted	Manager Rec	Change	Change
General Fund	\$447.7	<b>\$464.2</b>	\$16.5	3.7%
City Transfer to Schools	115.3	<b>118.3</b>	3.0	2.6%
<i>Net General Fund</i>	332.4	<b>345.9</b>	13.5	4.1%
School Fund	294.4	<b>295.9</b>	1.5	0.5%
Waterworks Fund	83.9	<b>86.9</b>	3.0	3.6%
Wastewater Fund	21.1	<b>21.5</b>	0.4	1.9%
Solid Waste Fund	14.6	<b>14.7</b>	0.2	1.0%
Stormwater Fund	16.8	<b>20.0</b>	3.2	19.0%
All Other Special Revenue and Trust Funds	48.9	<b>43.8</b>	(5.1)	(10.5%)
<b>Total Operating Budget</b>	<b>\$812.0</b>	<b>\$828.7</b>	<b>\$16.7</b>	<b>2.1%</b>

# FY 2016 Operating Budget Composition

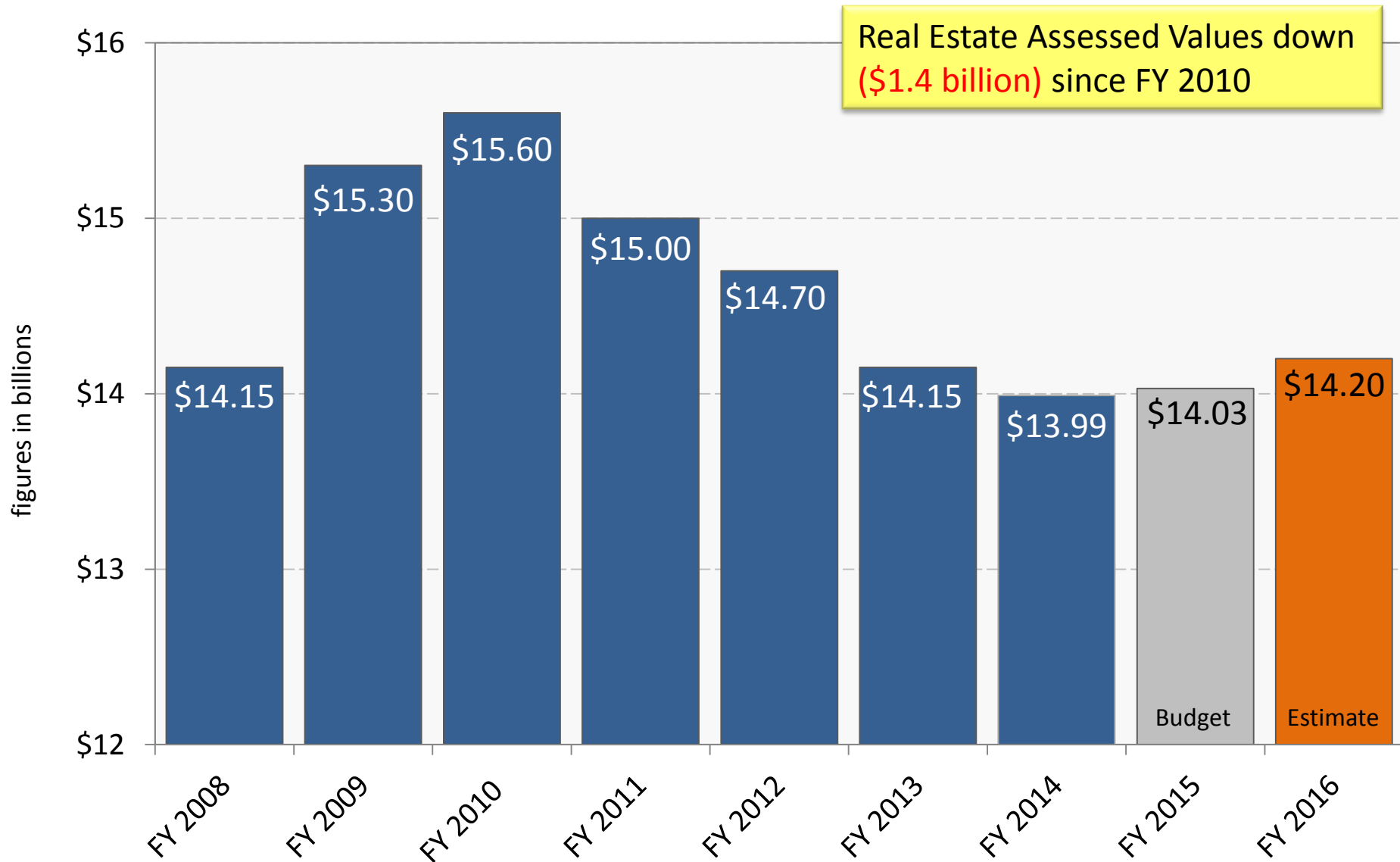




# FY 2016 Operating Budget Composition



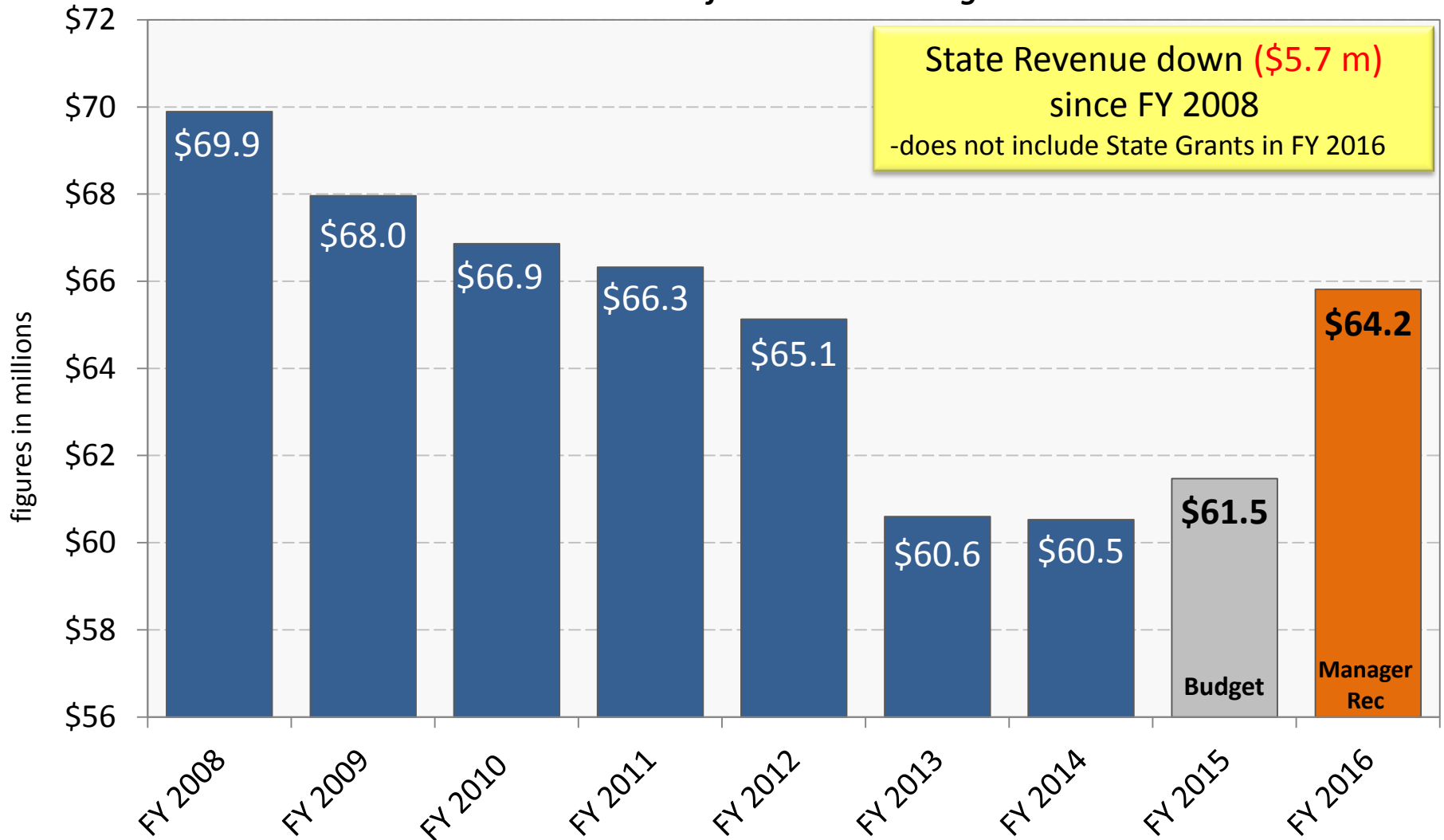
# Real Estate Assessed Values



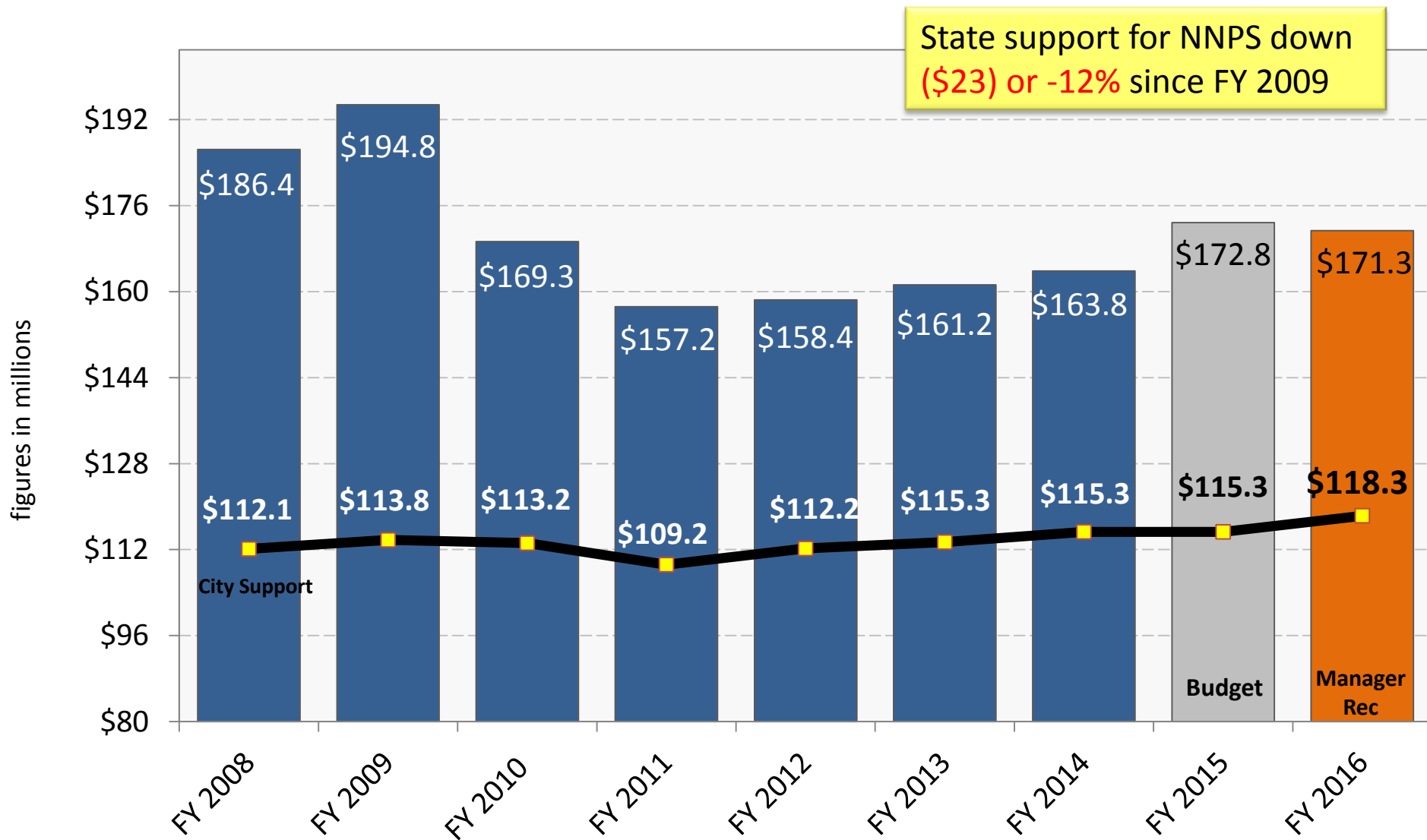
# State Revenue

## General Fund

### State Reimbursement for Mandated Programs



# State Support for Newport News Public Schools



# General Fund Revenue

# Change in General Fund Revenues

	FY 2014	FY 2015	FY 2016	\$	%
\$ figures in millions	Actual	Adopted	Manager Rec	Change	Change
Real Estate Tax <sup>1</sup>	\$172.5	\$171.2	<b>\$176.2</b>	\$5.0	2.9%
Personal Property Tax	50.1	52.3	<b>52.2</b>	(0.1)	(0.2%)
State Aid <sup>2</sup>	41.3	40.8	<b>41.7</b>	0.9	2.2%
Sales Tax	22.2	23.3	<b>24.0</b>	0.7	3.0%
Utility Taxes <sup>3</sup>	19.3	19.8	<b>19.9</b>	0.1	0.5%
Machinery and Tools Tax	20.9	19.8	<b>21.9</b>	2.1	10.6%
Meal Tax	22.9	23.1	<b>24.0</b>	0.9	3.9%
BPOL Tax	15.8	16.5	<b>17.1</b>	0.6	3.6%
All Other Taxes / Fees	73.0	80.8	<b>83.1</b>	2.3	2.8%
Federal/State Grant Funds	0.0	0.0	<b>4.1</b>	4.1	100.0%
<b>Total Operating Budget</b>	<b>\$438.0</b>	<b>\$447.6</b>	<b>\$464.2</b>	<b>\$16.6</b>	<b>3.7%</b>

<sup>1</sup> Includes Public Service Corporations, Tax Relief, and Delinquencies

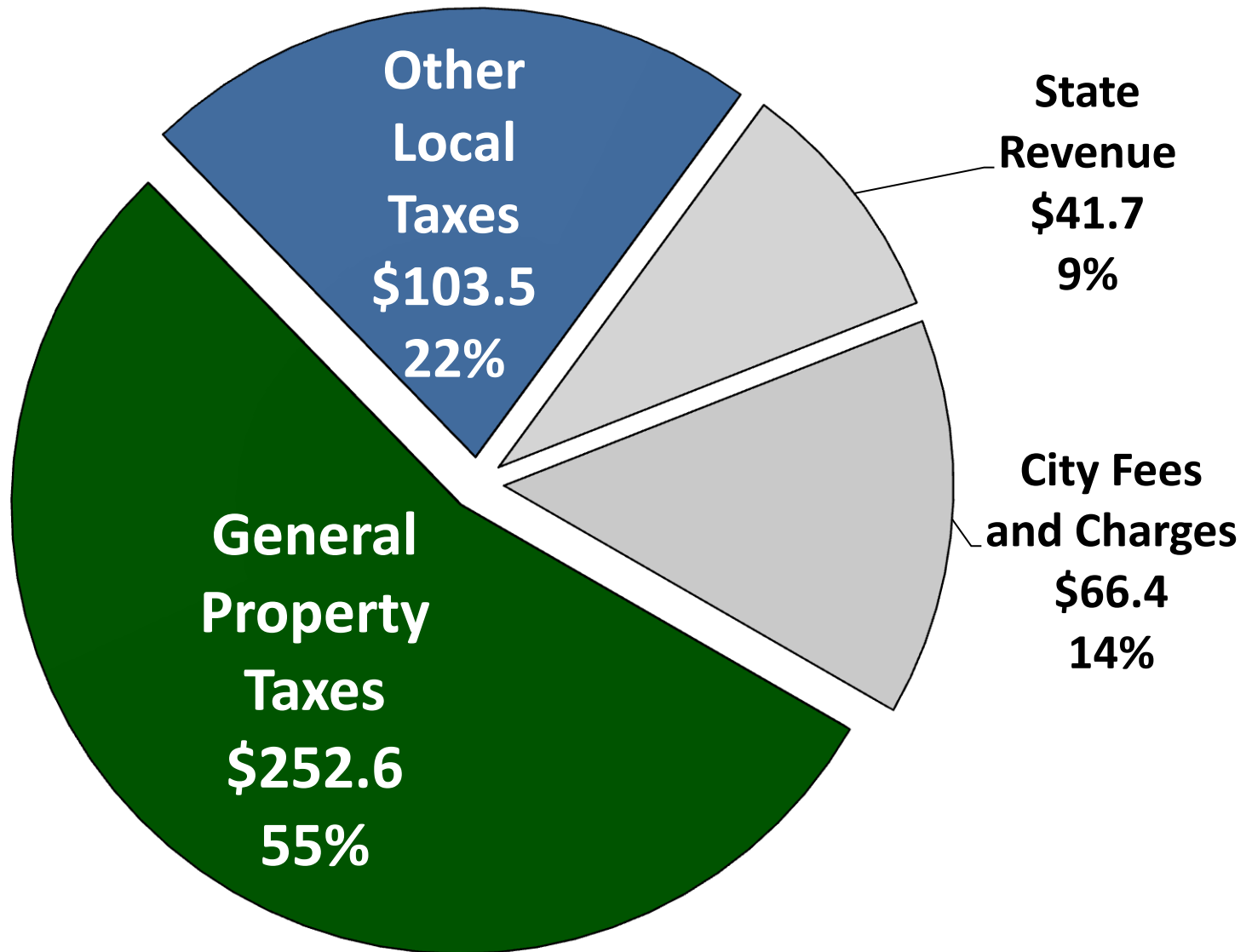
<sup>2</sup> Includes Shared Expenses and Categorical Aid

# General Fund Revenues – By Category

	FY 2014	FY 2015	FY 2016	\$	%
\$ figures in millions	Actual	Adopted	Manager Rec	Change	Change
General Property Taxes	\$245.5	\$245.4	<b>\$252.6</b>	\$7.2	2.9%
Other Revenues					
Other Local Taxes	96.4	101.0	<b>103.5</b>	2.5	2.5%
Permits, Fees, Reg Licenses	3.4	3.1	<b>3.4</b>	0.3	9.7%
Fines and Forfeitures	2.6	2.7	<b>2.4</b>	0.0	0.0%
Use of Money and Property	2.2	2.1	<b>2.3</b>	0.0	0.0%
Charges for Services	6.2	5.9	<b>6.2</b>	0.3	5.1%
Miscellaneous Revenue***	18.4	19.3	<b>24.0</b>	4.7	24.4%
Recovered Costs	10.3	12.1	<b>12.8</b>	0.7	5.8%
Non-Categorical Aid	0.9	0.8	<b>1.1</b>	0.3	0.0%
Shared Expenses	9.7	9.3	<b>10.2</b>	0.0	0.0%
Categorical Aid	31.6	31.5	<b>31.5</b>	0.0	0.0%
Non-Revenue Receipts	10.5	14.1	<b>14.0</b>	(0.1)	(0.7%)
Payments from Other Funds	0.3	0.3	<b>0.2</b>	(0.1)	(33.3%)
<b>Total Revenues</b>	<b>\$438.0</b>	<b>\$447.6</b>	<b>\$464.2</b>	<b>\$13.2</b>	<b>3.1%</b>

# General Fund Revenue

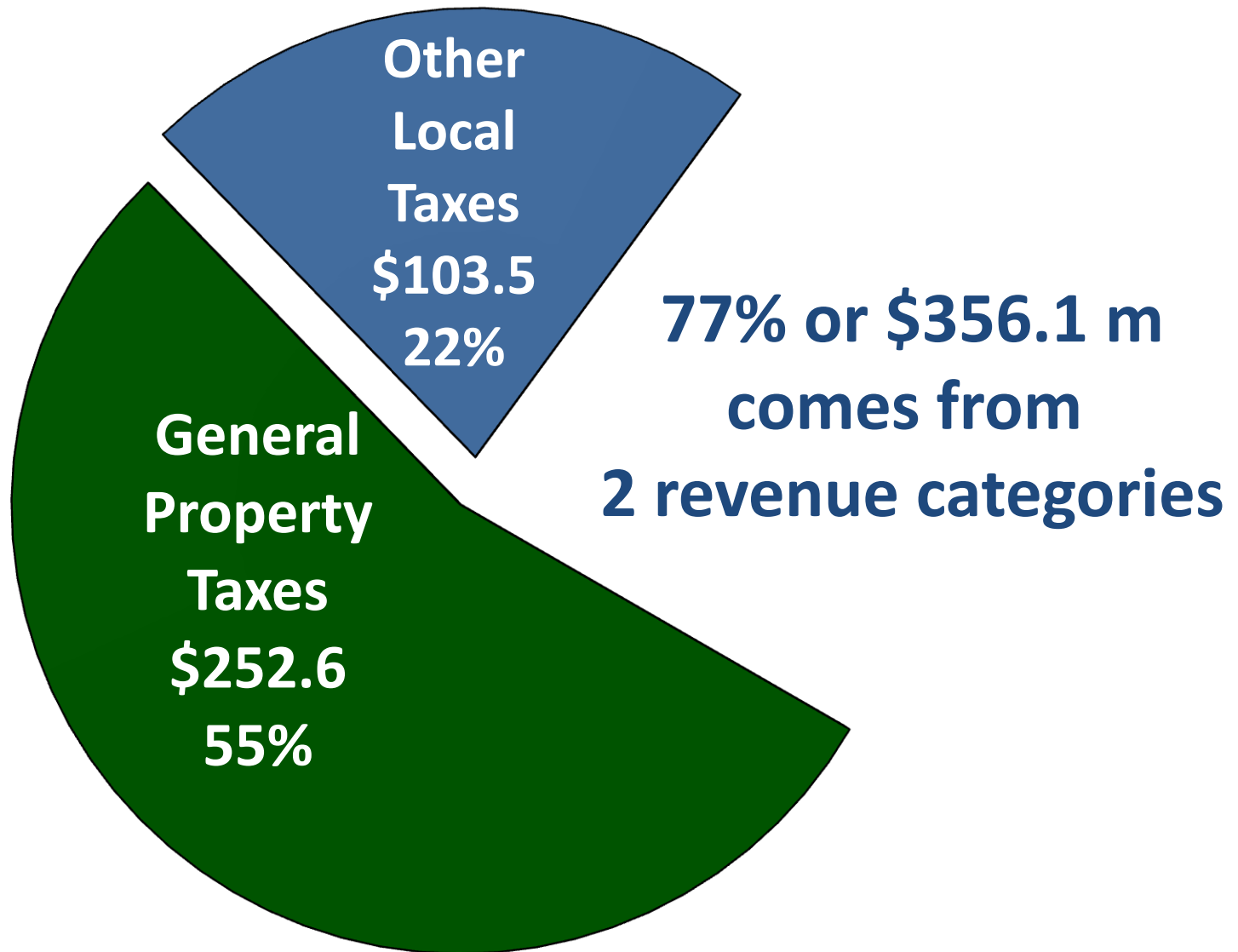
FY 2016 Recommended Budget - **\$464 million**



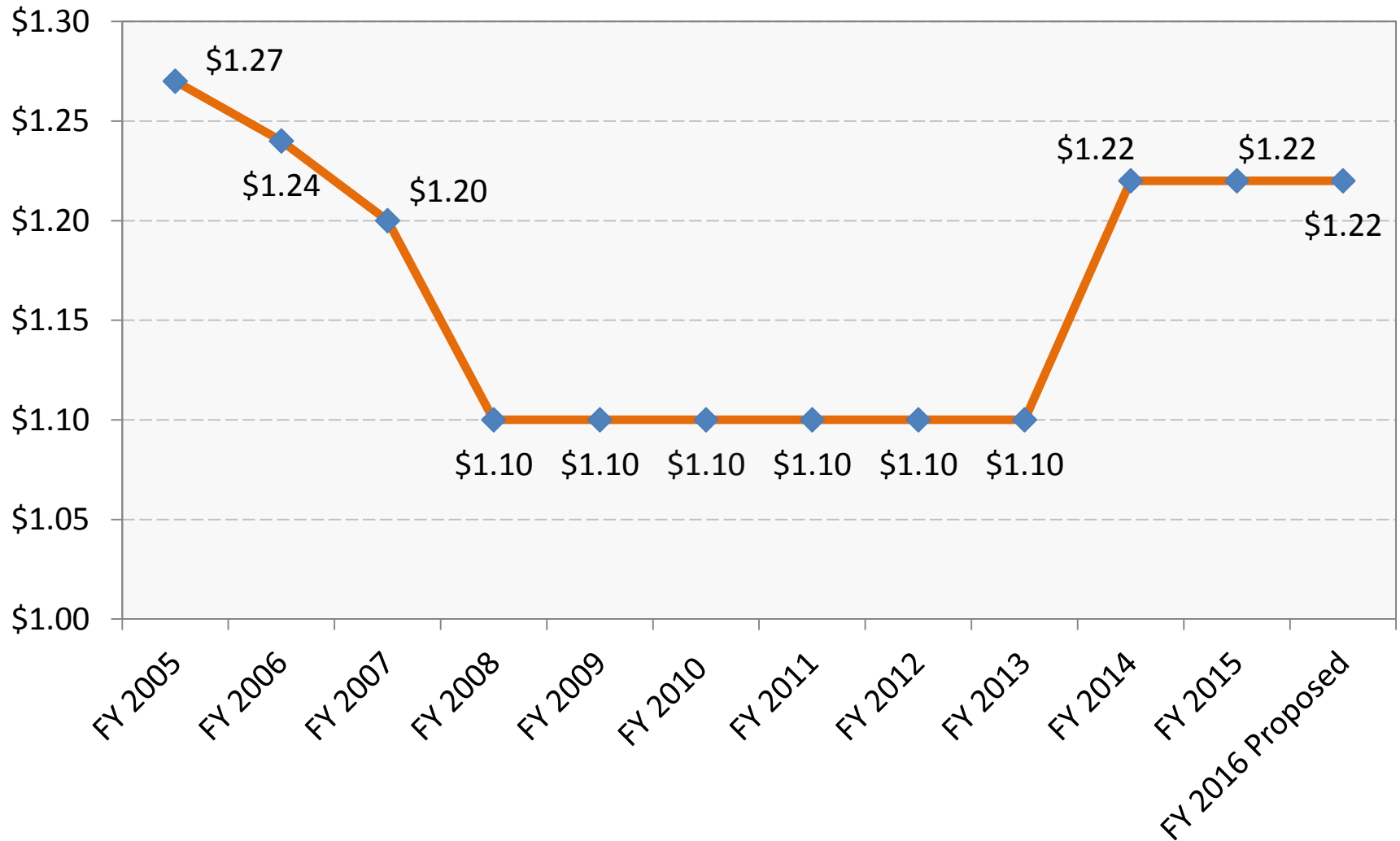


# General Fund Revenue

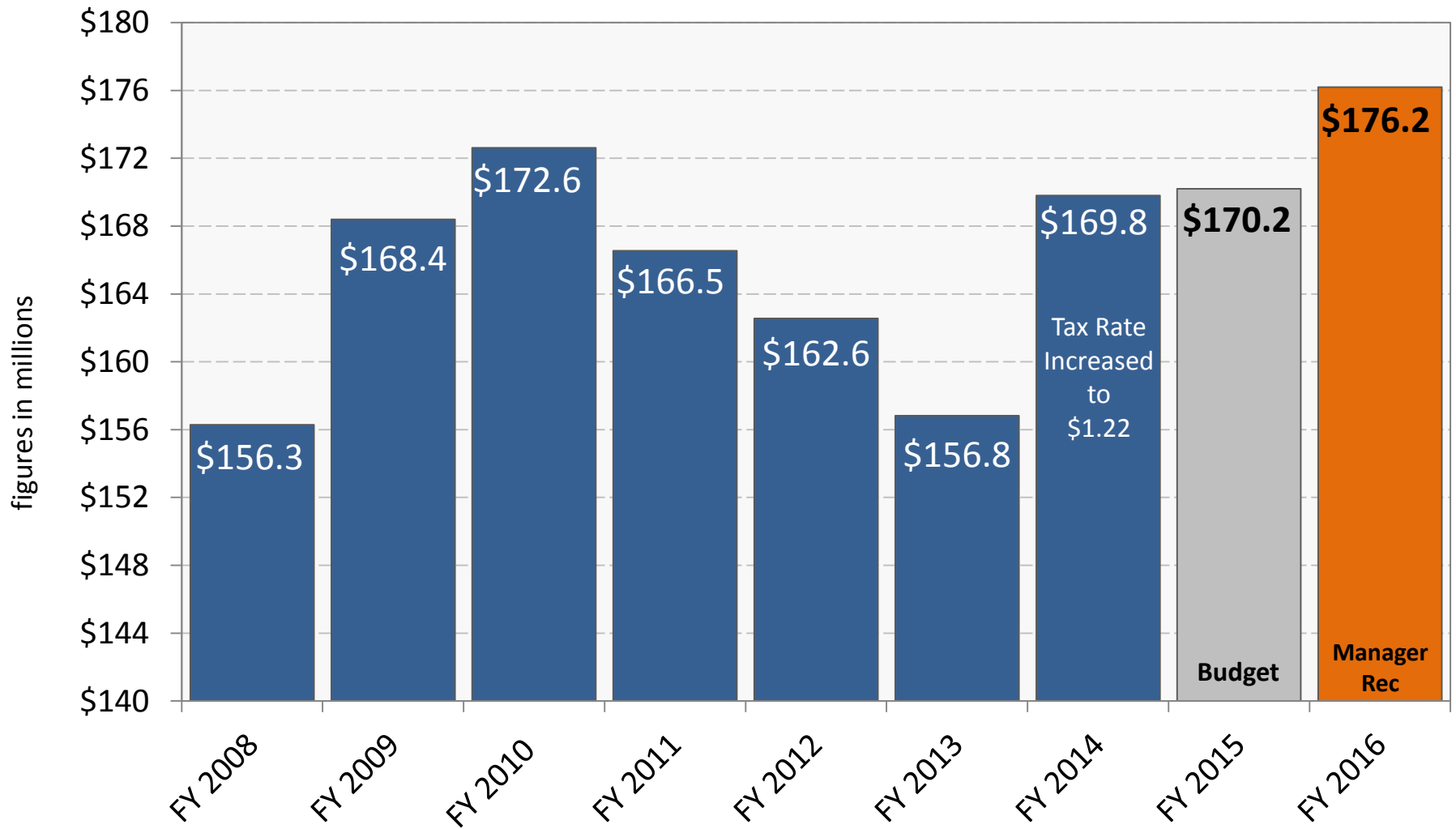
FY 2016 Recommended Budget - **\$464 million**



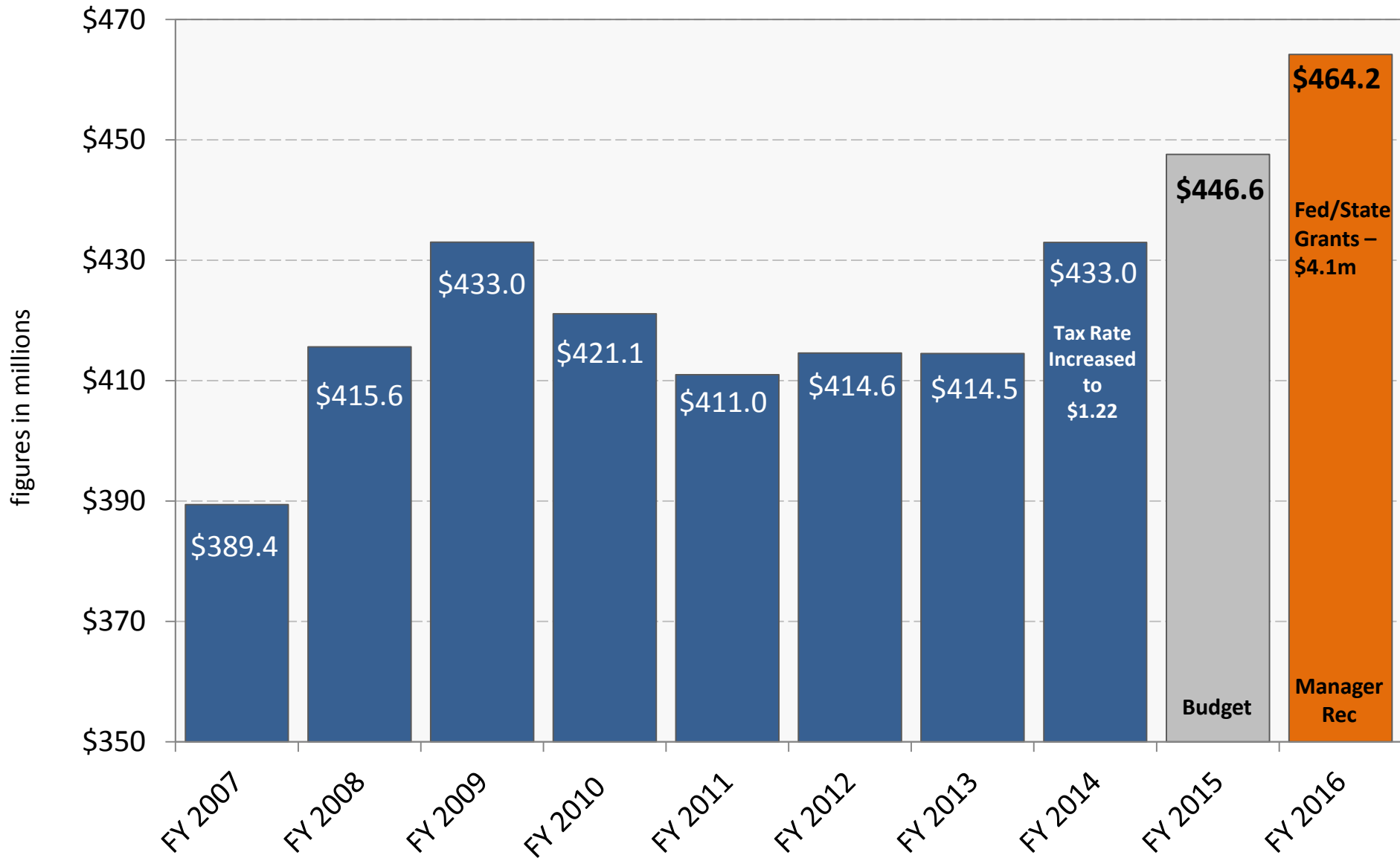
# Real Estate Tax Rate



# Real Estate Tax Revenue



# General Fund Operating Budget



# General Fund Expenses

# **General Fund**

## ***Expenditure Increases***

- Pension increase
- Health Insurance Premium increase
- Salary Adjustment, Merit-based
- Compression Adjustment
- Employee Investment – Training & Development
- Local Support for Schools
- Support Strategic Priorities
- Continued funding for vehicles and equipment
- Corrective actions

# General Fund Expenditures

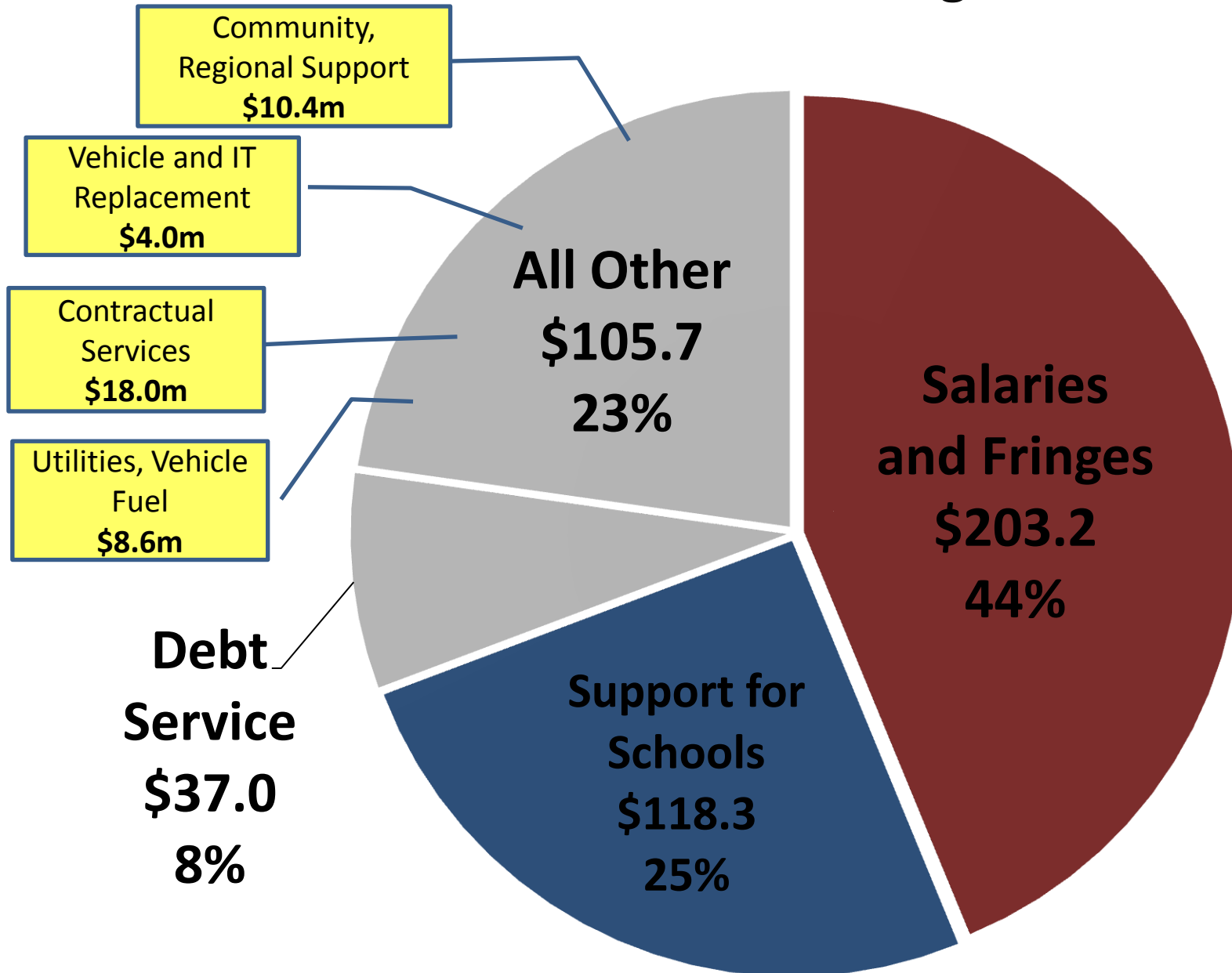
	FY 2014	FY 2015	FY 2016	\$	%
\$ figures in millions	Actual	Adopted	Manager Rec	Change	Change
Full-Time Salaries <sup>1</sup>	\$116.6	\$122.5	<b>\$124.6</b>	\$2.1	1.7%
Fringe Benefits <sup>2</sup>	59.9	65.8	<b>69.6</b>	3.8	5.8%
Utilities	7.0	6.7	<b>6.7</b>	(0.1)	(0.9%)
Fuel	2.4	2.6	<b>1.9</b>	(0.7)	(27.5%)
Other	96.8	97.8	<b>102.1</b>	4.3	4.4%
City Support for Schools	115.3	115.3	<b>118.3</b>	3.0	2.6%
Debt Service	35.0	36.9	<b>37.0</b>	0.1	0.2%
Federal/State Grants	0.0	0.0	<b>4.1</b>	4.1	100.0%
<b>Total Expenditures</b>	<b>\$433.0</b>	<b>\$447.6</b>	<b>\$464.2</b>	<b>\$12.5</b>	<b>2.8%</b>

<sup>1</sup> Does not include proposed salary adjustment, does include new positions

<sup>2</sup> Includes FICA, Retirement, Group Health, Dental, Vision Care, Group Life, and Workers' Compensation

# General Fund Expenditures

## FY 2016 Recommended Budget - \$464m

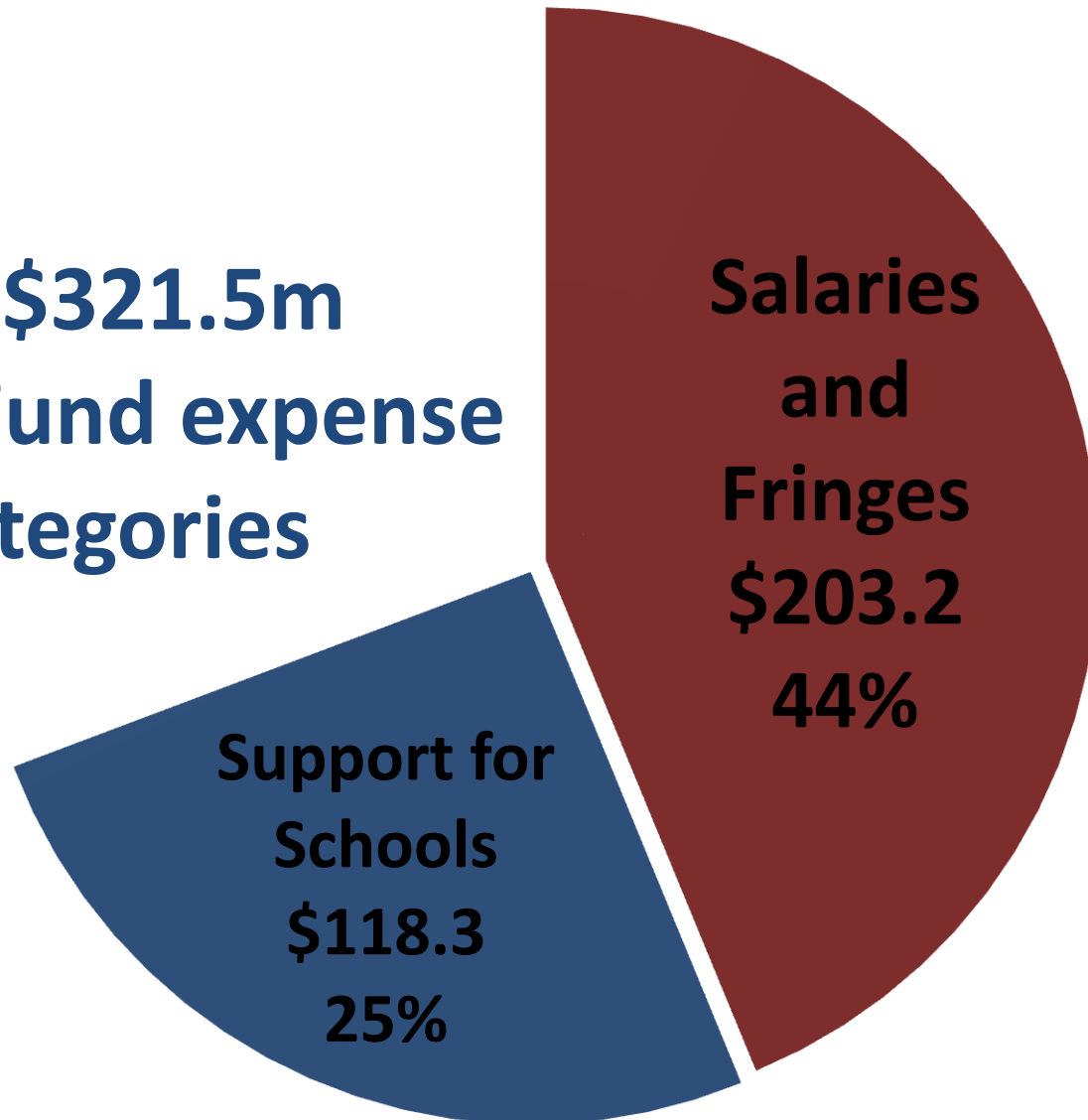




# General Fund Expenditures

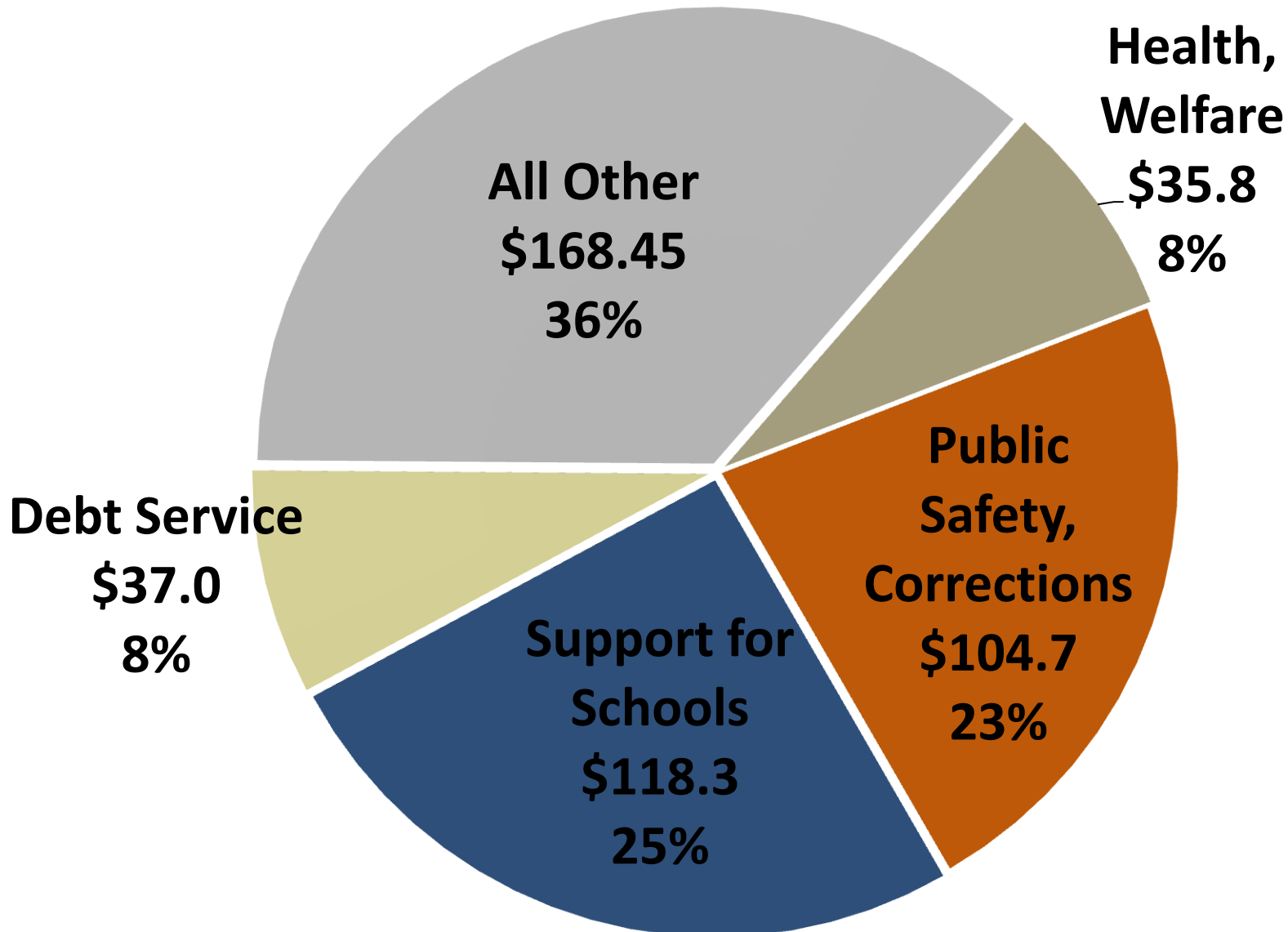
## FY 2016 Recommended Budget - \$464m

**69% or \$321.5m  
of General Fund expense  
in 2 categories**



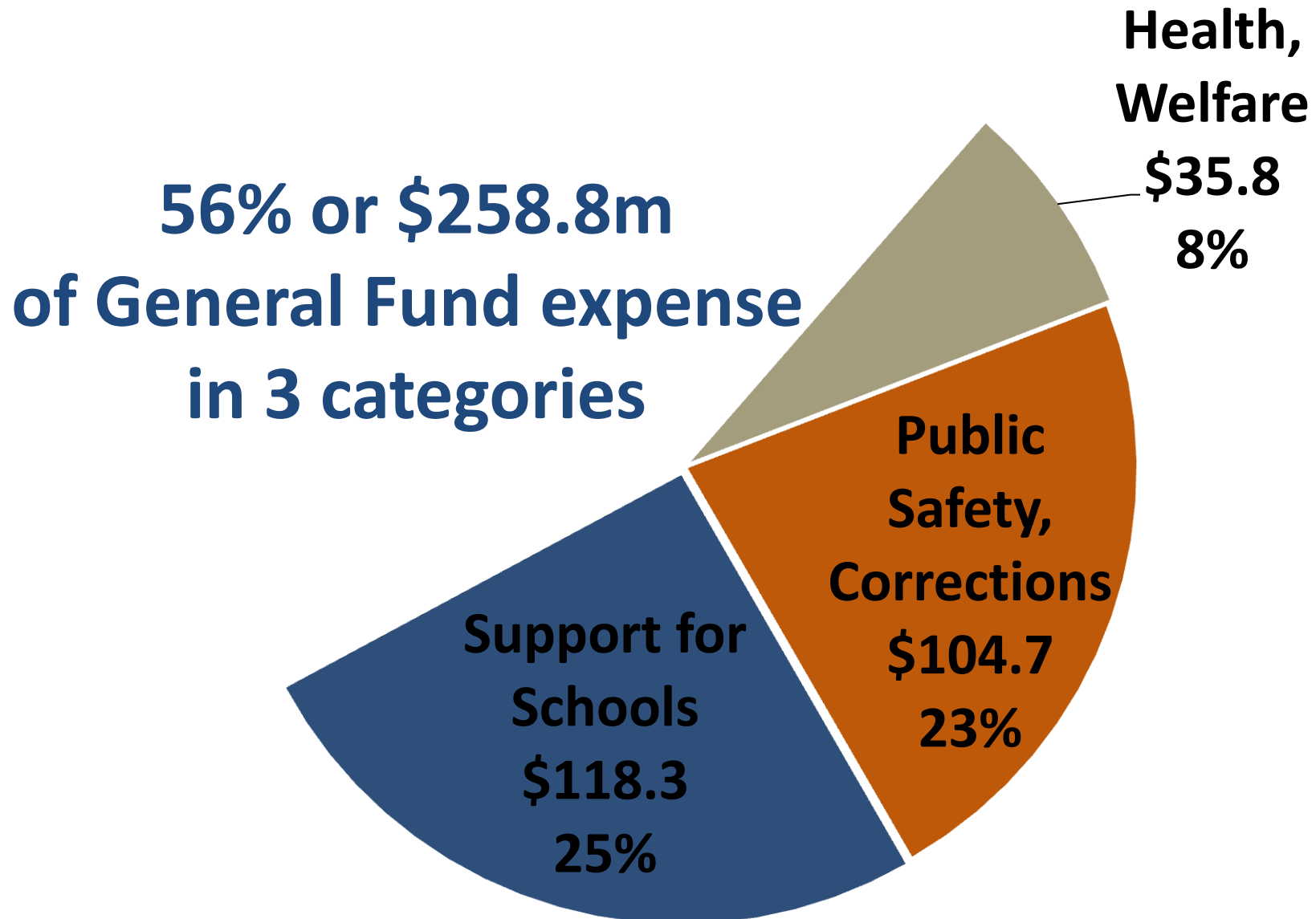
# General Fund Expenditures

## FY 2016 Recommended Budget - **\$464m**

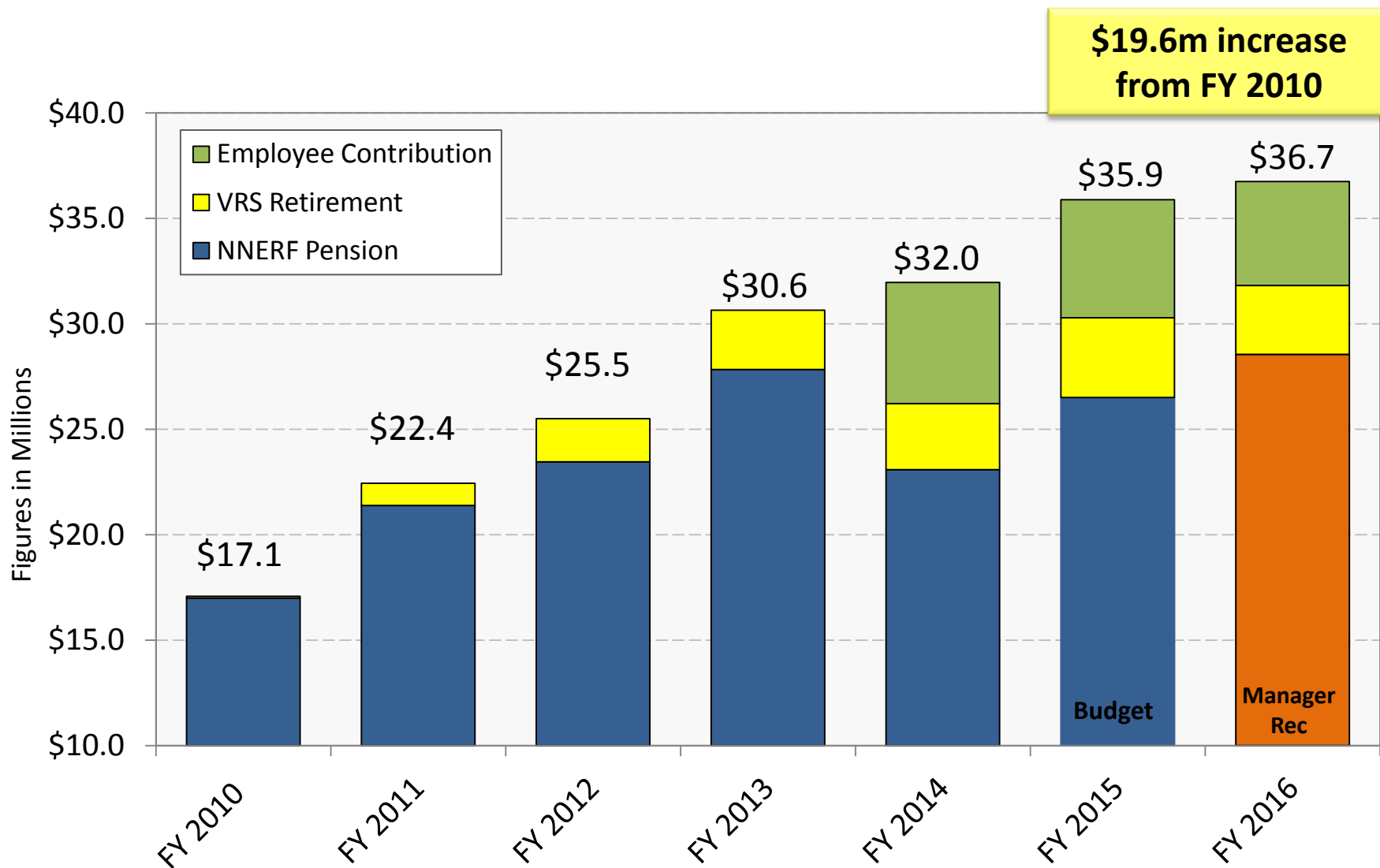


# General Fund Expenditures

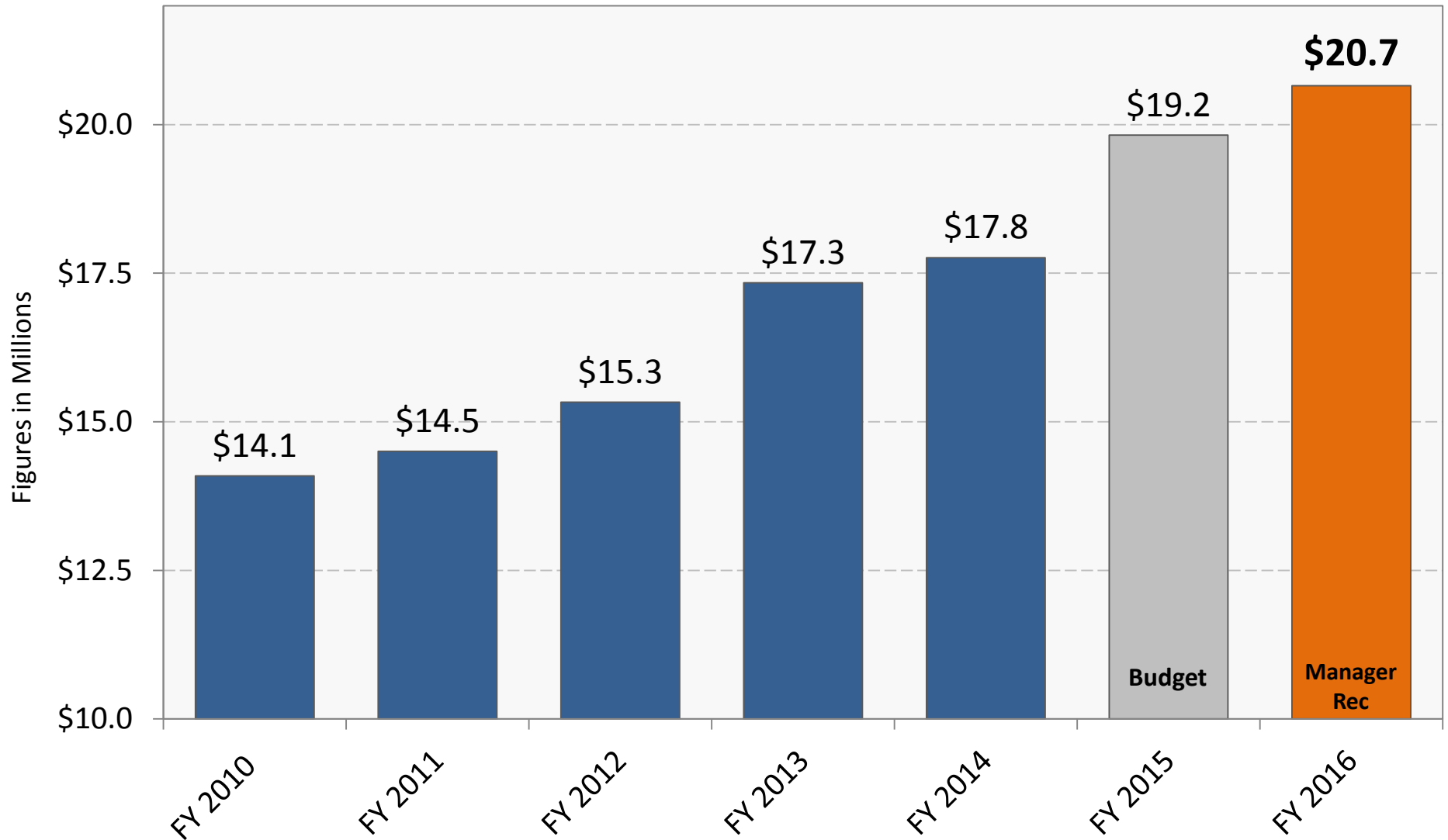
## FY 2016 Recommended Budget - \$464m



# Pension Costs – All Funds

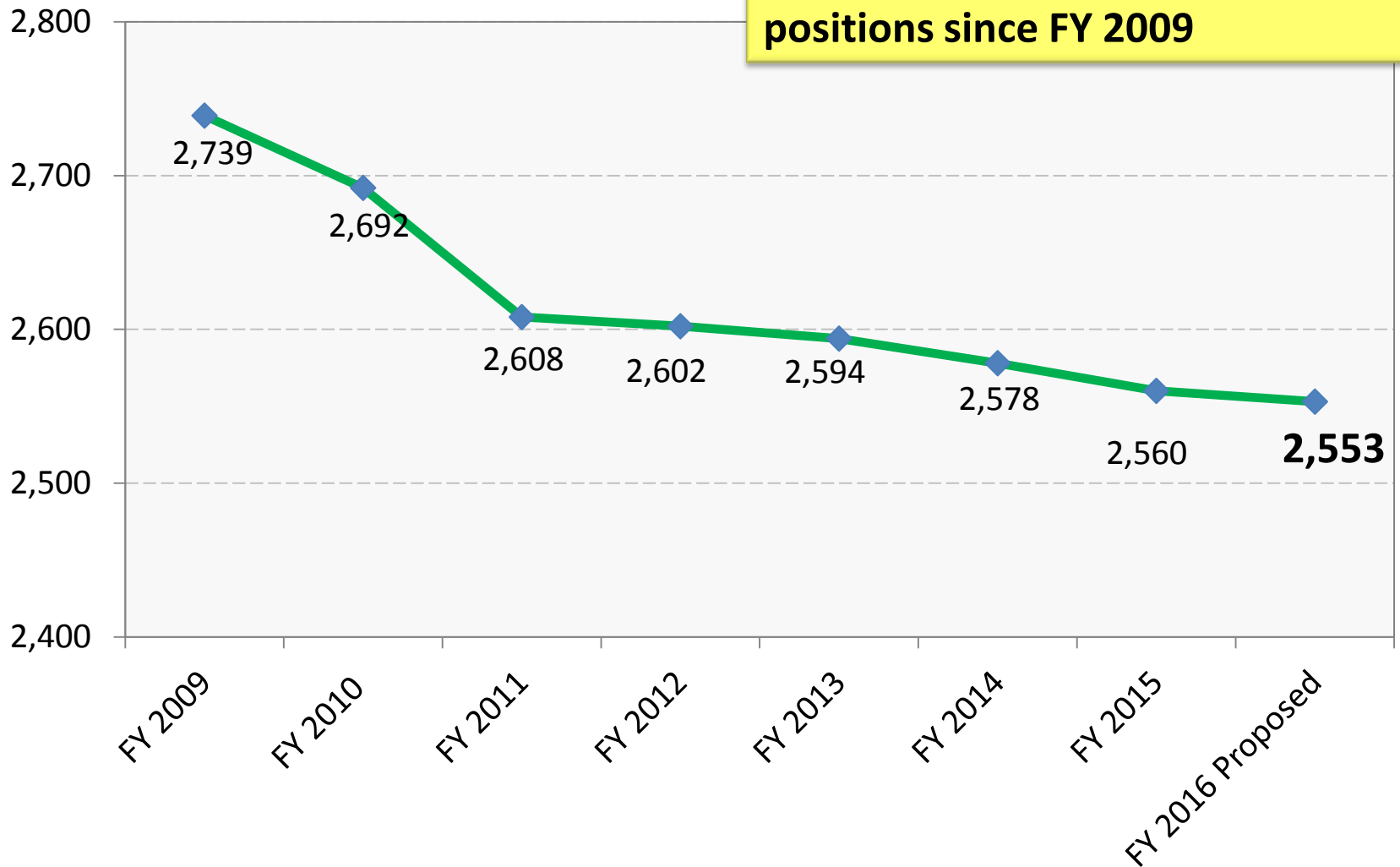


# Healthcare Costs – General Fund



# General Fund Positions

**Net reduction of 186 General Fund positions since FY 2009**



# FY 2016 Position Changes

- **General Fund**

- Communications – shifted 23 of 24 positions from other Depts/Funds
- Shift to Other Funds – 4 positions
- Eliminated 30 positions
- New 21 positions – 8 converted from Part Time
- NET Change 11 less positions

- **Other Funds** (not noted above in General Fund)

- Eliminated 2 positions
- New 14 positions
- Schools Eliminated 17 allotments

# FY 2016 Major Adjustments






	<i><b>CHANGES</b></i>
<b>Average 3% Salary Adjustment</b>	<b>\$3.6 million</b>
<b>Salary Compression</b>	<b>\$950,000</b>
<b>Retirement Increases – NNERF and VRS</b>	<b>\$1.6 m + \$303,000</b>
<b>Additional City Contribution to Schools</b>	<b>\$3.0 million</b>
<b>Increased HRT Costs – Operations &amp; 106/107</b>	<b>\$641,000</b>
<b>Replace Voting System</b>	<b>\$571,000</b>
<b>Additional Vehicle Replacement Funds</b>	<b>\$500,000</b>
<b>Debt Service Increase</b>	<b>\$58,035</b>
<b>Vehicle Fuel Savings</b>	<b>(\$724,000)</b>
<b>Department Efficiencies &amp; Cost Saving Efforts</b>	<b>(\$636,000)</b>
<b>City Farm Closure</b>	<b>(\$2.2 million)</b>



# FY 2016 Major Adjustments

	<i><b>CHANGES</b></i>
<b>New Community Support Applicants</b>	<b>\$102,000</b>
<b>Comprehensive Shipyard Reassessment</b>	<b>\$400,000</b>
<b>A-School Debt and Fountain Way Garage Operating/Reserve</b>	<b>\$1.4 m + \$402,777</b>
<b>Cash Capital Savings</b>	<b>(\$78,413)</b>

# FY 2016 Support for Strategic Priorities

<b>Community Maintenance and Renewal</b>	
<i>Continued funding for demolitions</i>	
<i>Level funding for street paving</i>	
<b>Economic Development and Redevelopment</b>	
<i>Support continued Cultural Attractions Fund, Increased HRT Service</i>	
<b>Maximum Emphasis on Public Safety</b>	
<i>Continued funding for Youth and Gang Violence Initiative</i>	
<i>2<sup>nd</sup> Year Support for COPS Grant</i>	
<b>Sustainable Local Governmental Policies</b>	
<i>Increased Fleet Replacement, Recognizing fuel savings through less use</i>	
<b>Fiscal Management and Efficient Operations</b>	
<i>Commitment to Pension Obligations and Cash Contribution in CIP</i>	
<i>Reorganizations – Communications, City Farm, Motor Pool</i>	
<i>Inclusion of Federal and State Grant Funds</i>	

# Other Funds

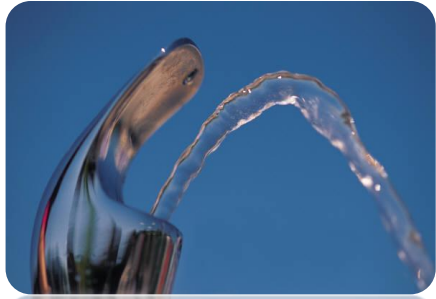


# Local Funding for Schools

\$118,300,000

- Increased local funding from the current fiscal year
- State revenue is estimated to decrease by **(\$1.5m)**

	FY 2015 Adopted	FY 2016 Recommended
Total General Fund Support	\$115,300,000	<b>\$118,300,000</b>
Comprised of:		
Recommended Increase		<b>3,000,000</b>
Base School Support for Operations	99,983,133	<b>101,050,321</b>
School Technology Plan Operations	2,409,570	<b>2,409,570</b>
School Debt Service	12,307,297	<b>11,240,109</b>
Grounds Maintenance	600,000	<b>600,000</b>



# Waterworks

**\$86,950,000**

- **Operating increase of \$3.0m or 3.6% from the current fiscal year**

- Increased Retirement and Health Insurance costs, Salary Adjustment
- Demand for water becoming stable
- Proposed 2.8% increase to Water Rates - \$3.17/\$3.65 per HCF
- No change to monthly service fee



# Waterworks

**\$86,950,000**

FY 2015 Current			FY 2016 Recommended	
Meter Size (Inches)	Monthly Charge	Bi-Monthly Charge	Monthly Charge	Bi-Monthly Charge
5/8	\$16.00	\$24.00	<b>\$16.00</b>	<b>\$24.00</b>
3/4	\$19.20	\$30.40	<b>\$19.20</b>	<b>\$30.40</b>
1	\$25.60	\$43.20	<b>\$25.60</b>	<b>\$43.20</b>
1 1/2	\$41.60	\$75.20	<b>\$41.60</b>	<b>\$75.20</b>
2	\$62.40	\$115.20	<b>\$62.40</b>	<b>\$115.20</b>
3	\$133.00	\$256.00	<b>\$133.00</b>	<b>\$256.00</b>
4	\$192.00	\$376.00	<b>\$192.00</b>	<b>\$376.00</b>
6	\$354.00	\$699.00	<b>\$354.00</b>	<b>\$699.00</b>
8	\$547.00	\$1,086.00	<b>\$547.00</b>	<b>\$1,086.00</b>
10	\$768.00	\$1,529.00	<b>\$768.00</b>	<b>\$1,529.00</b>



# Solid Waste

**\$14,706,000**

- **Operating increase of \$152,000 or 1% from the current fiscal year**

- Increased Retirement and Health Insurance costs, Salary Adjustment
- Funds to pay maintenance costs previously in CIP
- Fund to pay full indirect costs to General Fund



# Solid Waste

**\$14,706,000**

- **Standard Container**
  - Increase of **\$0.15** per week, \$7.80 per year
- **Medium Container**
  - Increase of **\$0.12** per week, \$6.24 per year

	FY 2015	FY 2016
Rate structure changes	Current	Recommended
Container Size	Cost per week	
Medium (60 gallons)	\$5.40	<b>\$5.52</b>
Standard (90 gallons)	\$6.75	<b>\$6.90</b>
Note: Rate for 60-gallon container is set 20% less than rate for a standard 90-gallon container		





# Wastewater

**\$21,484,000**

- **Operating increase of \$0.4m or 1.89% from the current fiscal year**
- Increased Retirement and Health Insurance costs, Salary Adjustment
- Federally-mandated Regional Consent order continues to drive costs
- Fund to pay full indirect costs to General Fund
- Proposed increase in Sewer User Fee to **\$3.27** per HCF. Estimated impact of \$3.96 to typical household
- No change in Monthly Service Fee



# Wastewater

**\$21,484,000**

- Proposed increase in Sewer User Fee to \$3.27 per HCF
- No change in Monthly Service Fee

	FY 2015	FY 2016
Rate structure changes	Current	Recommended
<b>Sewer User Fee</b>		
Rate per HCF used	\$3.21	<b>\$3.27</b>
<b>Monthly Service Fee</b>	\$4.00	<b>\$4.00</b>



# Stormwater

**\$19,993,000**

- **Operating increase of \$3.19m or 19.0% from the current fiscal year**

- Impact of Federal and State Stormwater Regulation
- 2 major components
  - MS4 – Municipal Separate Storm Sewer System
  - TMDL – Total Maximum Daily Load; Chesapeake Bay Preservation Act
- Increased Retirement and Health Insurance costs, Salary Adjustment
- Fund to pay full indirect costs to General Fund
- Fund to pay maintenance costs previously in CIP



# Stormwater

**\$19,993,000**

- Stormwater Management Fee
  - Increase of **\$1.00** per Equivalent Residential Unit (ERU) per month; \$12 per year

	FY 2015	FY 2016
Rate structure changes	Current	Recommended
<b>Stormwater Management Fee</b>		
Rate/ ERU per month	\$9.75	<b>\$10.75</b>
Annual Rate per 1 ERU	\$117.00	<b>\$129.00</b>

# Impact on Typical Household

	<i>Weekly Increase</i>	<i>Monthly Increase</i>	<i>Annual Increase</i>
Real Estate Tax	\$0.20	\$0.86	\$10.32
Stormwater Fee	0.23	1.00	12.00
Solid Waste Fee	0.15	0.65	7.80
Sewer User Fee	0.08	0.33	3.96
Sewer Monthly Service Fee	0.00	0.00	0.00
Water Fees and Rates	0.13	0.53	6.36
<b>Total Impact</b>	<b>\$0.79</b>	<b>\$3.37</b>	<b>\$40.44</b>

# Next Steps

# NEW BUDGET BOOK FORMAT!

- Reader Friendly!
- Gives the same information and more of it!
  - Example – the Budget Process description
- Consolidates Departmental activities all in one place – budget numbers, position allotments, and narrative on budget changes.

- ✓ City Council adopts Public Hearing Schedule
- ✓ Topic-specific presentations during April Work Sessions
- ✓ Position Papers distributed by **April 3<sup>rd</sup>**
- ✓ Budget available on City's webpage at <http://www.nnva.gov>
- ✓ Hard copies available at each public library and in the Budget and Evaluation Department
- ✓ FY 2016 Budget Advertisement for Public Hearings will be in the *Daily Press* on **March 29<sup>th</sup>** and **April 6<sup>th</sup>**
- ✓ Contact Department of Budget and Evaluation at **926-8733**



# Thank You!

*End — for now....*